

SENATE BILL 1726

By Ford J

AN ACT to amend Tennessee Code Annotated, Section 67-4-2008 and Section 67-4-2105, relative to exemptions, for certain family-owned non-corporate entities.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-2008(a)(10)(B), is amended by deleting the item in its entirety and by substituting instead the following:

(B) For purposes of this subdivision:

(i) "Family-owned" means that at least ninety-five percent (95%) of the ownership units (voting rights, capital interest or profits) of the entity are owned (directly or indirectly) by members of the family, which means, with respect to an individual only;

(a) An ancestor of such individual;

(b) The spouse or former spouse of such individual;

(c) A lineal descendent of such individual, of such individual's spouse or former spouse, or of a parent of such individual;

(d) The spouse or former spouse of any lineal descendent described in subdivision (c); or

(e) The estate or trust of a deceased individual who, while living, was as described in any of the above subdivisions.

For purposes of this subdivision, a legally adopted child of an individual shall be treated as the child of such individual by blood.

For purposes of this subsection, Internal Revenue Code, Section 707(b)(3), and any regulations applicable thereto, as they may be amended from time to time, shall be used to determine whether such natural persons, directly or indirectly own at least ninety-five percent (95%) of the entity's voting rights, capital interests or profits.

(ii) "Passive investment income" means gross receipts derived from royalties, rents, dividends, interest, annuities and sales or exchanges of stock, or securities or property producing passive income to the extent of any gains therefrom.

SECTION 2. This act shall take effect July 1, 2003, the public welfare requiring it.